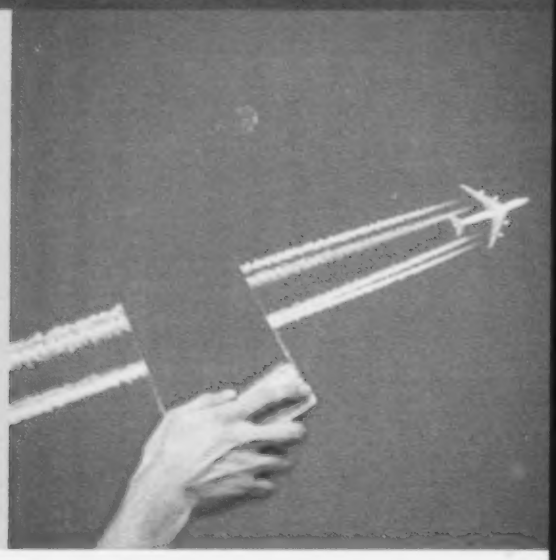
Pacific Carbon Trust
2013/14–2015/16 Service Plan

www.pacificcarbontrust.com



BRITISH COLUMBIA

Pacific Carbon Trust

Erratum to the 2013/14-2015/16 Service plan

FINANCIAL OUTLOOK

For the year ended March 31	Actual 2011/12 ($000s)	Forecast 2012/13 ($000s)	Budget 2013/14 ($000s)	Budget 2014/15 ($000s)	Budget 2015/16 ($000s)
Revenues					
Offset revenue	13,940	19,500	20,000	20,000	20,000
Interest revenue	257	300	400	430	460
Total Revenues	14,197	19,800	20,400	20,430	20,460
Expenses					
Strategic Acquisitions					
Salaries and Benefits	609	500	500	500	500
Operating and Administration	7,336	9,336	10,680	12,405	13,847
Professional Services	1,226	521	521	521	521
Rent	71	84	78	65	65
Amortization	22	23	33	36	38
	9,264	10,464	11,812	13,527	14,971
Business Development					
Salaries and Benefits	728	943	943	943	943
Operating and Administration	236	148	143	143	143
Professional Services	346	632	632	632	632
Rent	90	84	77	65	65
Amortization	27	23	33	36	38
	1,427	1,830	1,828	1,819	1,821
Finance and Operations					
Salaries and Benefits	499	517	517	517	517
Operating and Administration	184	148	143	143	143
Professional Services	190	547	547	547	547
Rent	74	84	77	65	65
Amortization	22	23	33	36	38
	969	1,319	1,317	1,308	1,310
Total Operating Expenses	11,660	13,613	14,957	16,654	18,102
Surplus for the year	**2,537**	**6,187**	**5,443**	**3,776**	**2,358**
Accumulated Surplus, beginning of year	16,814	19,350	25,537	30,980	34,756
Accumulated Surplus, end of year	**19,351**	**25,537**	**30,980**	**34,756**	**37,114**

This is the corrected Financial Outlook page. Only the Actual 2011/12 numbers have been changed.

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Letter from the Board Chair to the Minister

The Honourable Michael de Jong
Minister of Finance
Government of British Columbia

Dear Minister,

On behalf of the Board of Directors and employees of Pacific Carbon Trust, I am pleased to present our 2013/14 to 2015/16 Service Plan. Pacific Carbon Trust is well positioned to play a key role driving the development of the low-carbon economy in BC while continuing to support public sector carbon neutrality.

More and more jurisdictions around the world are exploring a variety of market and regulatory mechanisms to address climate change. The Province's Carbon Neutral Government program has not only positioned the public sector as a North American leader in climate action, but is also helping businesses across the province make the transition to a low-carbon economy. In 2013/14, Pacific Carbon Trust will continue to build its portfolio of offsets, supporting innovative emission reductions that deliver economic, environmental, and social benefits.

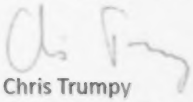
Pacific Carbon Trust has established a healthy pipeline of carbon offsets to meet public sector obligations for carbon neutrality, and foresees minimal risk of missing its primary mandate during the period of this service plan. Pacific Carbon Trust has participated in a performance review with the Office of the Auditor General as they review the carbon neutral program in BC. We look forward to receiving the findings and recommendations from the Auditor General. In addition, a recent Deloitte performance review identified opportunities for Pacific Carbon Trust to improve its service delivery, and in the coming planning period, Pacific Carbon Trust will continue to implement strategic improvements.

There have been no material changes to the structure or mandate of Pacific Carbon Trust since the last service plan was published. However, the organization has increased its client engagement after conducting an outreach campaign in 2012/13. In partnership with the Climate Action Secretariat, Pacific Carbon Trust has established the Carbon Offset Advisory Panel, which acts as an avenue for school boards, post-secondary institutions, health authorities, and Crown corporations to provide advice and guidance on the structure and diversity of Pacific Carbon Trust's offset portfolio. Pacific Carbon Trust will increase its outreach activities to its clients and the broader public. Additional client engagement has been added to the function of SMARTTool, and the Province established funding for K-12 schools for emissions reduction projects.

Pacific Carbon Trust anticipates a new set of risks and opportunities from the carbon industry as markets in California and Quebec become operational in 2013. The new market activity may put a strain on the already short supply of carbon professionals and third-party auditors that Pacific Carbon Trust depends on for its business operations. However, as these new markets open, this activity will also likely lead to greater awareness of carbon trading in North America and, ultimately, demand for carbon offsets. As emissions trading markets are established in North America and around the world, Pacific Carbon Trust will consider engaging with those markets, to share knowledge and build strategic partnerships for the net benefit of the province.

Pacific Carbon Trust's 2013/14 to 2015/16 Service Plan was prepared under the direction of the Board of Directors in accordance with the *Budget Transparency and Accountability Act* and the BC Reporting Principles. The plan is consistent with government's strategic priorities and fiscal plan. The board is accountable for the contents of the plan, including the information and how it is prepared. All significant assumptions and risks identified as of January 15, 2013 have been considered in preparing this plan. The performance measures are consistent with Pacific Carbon Trust's mandate and goals, and focus on aspects critical to the organization's success. The performance targets in the plan have been determined based on an assessment of Pacific Carbon Trust's operating environment, forecast conditions, risk assessment and expected performance.

I would like to extend thanks to Pacific Carbon Trust staff and board members for their hard work and dedication to the growth of a strong and greener economy in BC.



Chris Trumpy
Chair, Board of Directors

January 15, 2013

Organizational Overview

Pacific Carbon Trust is a BC Crown corporation that delivers high-quality greenhouse gas (GHG) offsets to help clients meet their carbon reduction goals. Its dual mandate includes purchasing offsets that reduce emissions province-wide while supporting the growth of the low-carbon economy in BC. Pacific Carbon Trust purchases offsets from BC-based GHG reduction or sequestration projects that are in compliance with the BC emissions offsets regulation, ensuring world-class offsets built on recognized international standards.

A carbon offset represents a quantified reduction in greenhouse gas emissions, resulting from activities such as improved energy efficiency, which can be used to balance the emissions from another source, such as travel. Pacific Carbon Trust delivers offsets to many clients, including the BC government and broader public service organizations.

Pacific Carbon Trust benefits the public, the environment, and the economy of BC by motivating greenhouse gas reduction activities; creating jobs in both rural and urban areas through public and private investment; meeting our obligations to help the public sector and private organizations become carbon neutral; providing new economic opportunities for BC business in both the clean technology sector and traditional sectors implementing new technologies; helping traditional industries, such as pulp and paper, to remain competitive and innovative; and providing a focal a point for industry to leverage new approaches to investing in a low-carbon economy.

photo courtesy www.naturallywood.com

Vision: Our vision is to leverage BC's carbon neutral commitment of today to build the low carbon economy of tomorrow.

Values: As Pacific Carbon Trust grows, its development is centered on three values: credibility, sustainability and entrepreneurship.

Goals:

- Acquire a diversified portfolio of BC-based carbon offsets to meet public and private sector demand for carbon neutrality.
- Form alliances with potential offset partners that enable PCT to sell carbon offsets beyond BC and/or build our internal expertise.
- Design and sell offset portfolios to wholesale customers to drive revenue into the province.
- Build support for Pacific Carbon Trust's mission to maximize the benefit of BC's environmental and climate change policies.

Mandate: Pacific Carbon Trust is mandated to deliver quality BC-based greenhouse gas offsets to help clients meet their carbon-reduction goals and to foster the growth of the low-carbon economy in BC.

Legislation: Pacific Carbon Trust was incorporated as a Crown corporation in March 2008 under the *Business Corporations Act*. The corporation is owned by the Province of British Columbia and reports to its shareholder, the Minister of Finance.

WHAT WE PROVIDE

Pacific Carbon Trust focuses on delivering a portfolio of carbon offsets from a diverse and innovative range of emissions-reducing activities that offsets the BC provincial government's carbon footprint and fosters the growth of a low-carbon economy in BC. To effectively carry out its operations, the corporation's business lines include business development and carbon offset deliveries, which are supported by a strong financial infrastructure. As a Crown corporation and proponent of environmental stewardship, Pacific Carbon Trust must also be transparent and publicly accountable in its performance and operations while providing benefits to the public. Pacific Carbon Trust operates out of Victoria, British Columbia.

As a buyer of carbon offsets, Pacific Carbon Trust motivates greenhouse gas reduction activities, which benefit the public and the economy of BC by:

- improving the climate through reduced greenhouse gases;
- supporting and creating jobs in both rural and urban areas resulting from the creation of emission reduction projects;
- implementing new technology in both the clean technology sector and traditional sectors; and
- helping traditional industries, such as pulp and paper, to remain competitive and innovative.

STAKEHOLDERS

Pacific Carbon Trust's stakeholders include its shareholder, the Minister of Finance; our clients; partners; and suppliers.

Clients

Our primary clients are the BC government and broader public sector organizations. Under the Province's legislated carbon neutral commitment, the public sector measures its carbon footprint and reduces its emissions as much as possible, offsetting remaining emissions at year-end. Pacific Carbon Trust provides BC-based, regulatory quality offsets to meet this provincial commitment.

To date, Pacific Carbon Trust has sold 1,564,777 carbon offsets to our clients to balance the emissions generated by public sector operations and private clients. We will continue to deliver on our obligations to help clients achieve carbon neutrality.

Partners and Suppliers

To deliver the quality offsets that our clients require, Pacific Carbon Trust works with a wide variety of professionals, including project developers, engineers, environmental consultants, and accredited project auditors who provide quality assurance in carbon offset delivery. During the 2008 to 2011 growth period and leading up to the first government requirement for carbon neutrality, Pacific Carbon Trust developed a supply chain with the aforementioned groups to ensure that a functioning market exists to create and deliver offsets. Today, the BC carbon offset industry is well-established and continues to gain industry participation.

Pacific Carbon Trust also works with municipalities, First Nations, environmental groups and other non-government organizations to discuss opportunities and challenges in this growing industry.

To deliver on its core mandate, Pacific Carbon Trust maintains a close working relationship with the Ministry of Environment's Climate Action Secretariat (responsible for the Climate Action Plan, the *Greenhouse Gas Reduction Targets Act* and government's carbon neutral program) and the Ministry of Citizens' Services, which provides emission measurement and reductions services such as SMARTTool.

CORPORATE GOVERNANCE

Pacific Carbon Trust is owned by the Province of British Columbia, and its shareholder is the Minister of Finance. As a Crown agency registered under the *Business Corporations Act*, it operates under the governance and accountability system set out by government. This process includes a regular review of the corporation's mandate and activities, guided by a Government's Letter of Expectations (GLE). The letter outlines the corporation's and government's responsibilities and is jointly signed by the Minister of Finance and the Chair of the Pacific Carbon Trust board.

Pacific Carbon Trust Board and Supporting Committees

The Pacific Carbon Trust board of directors adopted the Province of BC's governance principles as outlined in the Province of British Columbia's Governance Framework for Crown Corporations. Pacific Carbon Trust follows the Governance and Disclosure Guidelines for Governing Boards of British Columbia Public Sector Organizations and has a corporate governance manual that includes formal guidelines and corporate governance policies. Information on corporate governance can be found at the Pacific Carbon Trust website, www.pacificcarbontrust.com/who-we-are/our-team/

Pacific Carbon Trust is governed by a six-member board supported by the corporate secretary. Pacific Carbon Trust board members are:

- Chris Trumpy, Chair
- Heather Holden, Director and Chair of the Audit and Finance Sub-committee
- Michael H. Watson, Director
- James S. Mutter, Director
- Steven Hnatiuk, Director
- H. Anne Lippert, Director

Information on Pacific Carbon Trust board members can be found on the Pacific Carbon Trust website. Also available on the Pacific Carbon Trust website are key accountability documents, including Government's Letter of Expectations, service plans, annual reports and financial statements.

The board of directors meets at least four times per year, and at each of these meetings board members regularly set aside time for an in-camera session where corporation management staff are not present. It also holds monthly conference call updates. The board is responsible for the overall direction of the corporation, including:

- setting its strategic direction;
- ensuring appropriate financial and operational controls are in place;
- ensuring Pacific Carbon Trust has the appropriate resources to meet its mandate;
- monitoring key activities and approving major transactions;
- reporting to the Minister of Finance on activities, accountabilities and performance; and
- providing the public with relevant and timely information about Pacific Carbon Trust's intentions and operations.

The Audit and Finance Committee, established by the board, meets at least four times a year. The committee assists the board in fulfilling its financial accountability and oversight responsibilities by reviewing financial information and financial systems, and monitoring the systems of risk management and internal controls.

As required, the committee provides recommendations to the board. All board members are members of the Audit and Finance Committee.

Senior Management

- D. Scott MacDonald, Chief Executive Officer
- David Moffat, Managing Director, Business Development
- David Muter, Managing Director, Strategic Acquisitions
- Raymond Chan, Managing Director, Strategic Partnerships and Client Relations

Governance Principles

Pacific Carbon Trust complies with the disclosure requirements of the Best Practice Guidelines on Governance and Disclosure published by the Board Resourcing and Development Office. The disclosures include terms of reference for the board and its committees, the Chair and the CEO. Director biographies, director attendance records, board meeting information and board minutes are also disclosed. This information can be found at www.pacificcarbontrust.com/documents-and-forms/corporate-documents/

2 Strategic Context

Since its inception in 2008, Pacific Carbon Trust has been on a path of knowledge-building and fostering collaboration amongst government, industry, municipalities and First Nations. To date, it has established an operating environment in which these groups come together in the form of the carbon market in BC. Looking forward, Pacific Carbon Trust sees an advantageous future for the continued engagement of these stakeholder groups in the market. Internally, Pacific Carbon Trust will operate with the same business structure in the 2013/14 year that it has in the past. An integral part of that structure is continuous improvement, which sees the regular updating of information processes and services as needed to ensure Pacific Carbon Trust maintains high standards of operation.

During the 2012/13 fiscal year, Pacific Carbon Trust engaged Deloitte Touche LLP to execute a performance review on Pacific Carbon Trust's business operations. The scope of work for this performance review covered reporting, disclosure, risk management, security, information management, and corporate accountability. Pacific Carbon Trust took the resulting recommendations from the report and has used them to help increase the efficiency and productivity of its business. Pacific Carbon Trust also engaged PriceWaterhouseCoopers to complete a study on the economic effects of carbon offset projects in BC, which found that over $245 million GDP and 2,800 jobs have been supported by projects over the 2008-2012 period. The full reports can be found at www.pacificcarbontrust.com/documents-and-forms/carbon-industry-intelligence/

WORLD CARBON MARKETS

Global carbon offset markets have seen steady growth since their beginning in 2004, even with the advent of the current global economic instability. Currently, markets are estimated to be valued at over $176 billion dollars.[1] However, recent uncertainty has emerged in the European Union Emissions Trading system (EU ETS) as a result of the end of the Kyoto compliance period and a lack of any further internationally binding agreements beyond 2012. That uncertainty, combined with a market oversupply, has made prices for offsets and allocations decrease in the EU ETS. The European Commission is investigating methods for correcting the market oversupply and intends to right the situation in 2013, restoring market prices to continue reduction incentives to 2020. Other existing markets have also been slower to emerge than expected: the New Zealand emissions trading system, which is tied to the EU ETS, has also been exposed to oversupply and low prices. Japan has begun re-thinking its reductions strategy in the face of the Fukushima disaster, and its emissions targets have been put on hold until a viable energy plan can be implemented.

Other markets continue to emerge. Australia, South Korea and Kazakhstan plan to begin trading in 2015, while China's pilot programs in the province of Guangdong and the cities of Shanghai and Beijing are set to launch in 2013.[2] Additionally, carbon trading and similar crediting mechanisms are being considered in Brazil, Chile, Columbia, Costs Rica, India, Indonesia, Jordan, Mexico, Morocco, Peru, South Africa, Thailand, Turkey, Ukraine and Vietnam.[3] Overall, these activities represent a rapid expansion of emerging carbon markets around the globe.

Already, Pacific Carbon Trust is becoming internationally recognized as a well-established institution: delegations and researchers from Australia, China, Singapore and Quebec have sought Pacific Carbon Trust's input in their own emissions reduction planning.

Pacific Carbon Trust will continue to monitor these markets as they emerge and seek opportunities to share knowledge where possible. Already, Pacific Carbon Trust is becoming internationally recognized as a well-established institution: delegations and researchers from Australia, China, Singapore and Quebec have sought Pacific Carbon Trust's input in their own emissions reduction planning.

NORTH AMERICAN CARBON MARKETS

Beginning in 2013, North American carbon markets are set to see a major increase in activity. California will officially launch its cap and trade system in January, with its first quarterly allowance auction already having taken place in November 2012. Quebec's cap and trade system will also launch in January, with its first allowance auction taking place in the spring of 2013. Both markets have greatly increased the number of entities actively monitoring, measuring, and reducing their emissions. The start of these emissions trading markets have created a strong signal of market certainty and regulatory support, which indicates that British Columbia is well-aligned with other carbon conscious jurisdictions in North America as they commit to climate action and emissions reduction.

The markets have also created a new demand for North American sourced carbon offsets. In addition to allowances generated by capped facilities, these entities can use approved carbon offsets to cover their emissions. Projects in forestry, livestock, ozone depleting gases, and landfill waste that reduce emissions are eligible to sell offsets into the California and Quebec markets. Overall, this creates a significant increase in demand for North American greenhouse gas projects.

1 Latest data from World Bank Carbon Finance Unit
2 Thomson Reuters, Point Carbon
3 World Bank, Partnership for Market Readiness Program

The considerable expansion of the North American markets during the 2012/13 year, with further planned expansions in 2015, provides significant opportunities for Pacific Carbon Trust to engage in new markets. Additionally, as other cap and trade systems emerge around the world, Pacific Carbon Trust can seek opportunities to enter or engage with those markets for the benefit of the Province. Benefits can come in the form of increased revenues from the sale of offsets, partnership agreements that increase Pacific Carbon Trust's influence in the global carbon marketplace, or knowledge-sharing and learning that allows Pacific Carbon Trust to better serve its public and private clients here in BC.

INDUSTRY ENGAGEMENT IN GHG PROJECTS

Companies in transport, pulp and paper, forestry, oil and gas, mining, waste management, building products and agriculture have all generated offsets from GHG projects in BC. These projects have resulted in the implementation of fuel switching, energy efficiency and sequestration activities to reduce pollution in the province across a variety of BC's economic sectors. Pacific Carbon Trust has seen a general increase in the number of corporations interested in implementing GHG projects, and an increase in the annual number of project proposals. We expect these trends to continue as the market matures.

Pacific Carbon Trust will continue to engage with BC industries to drive innovative offset projects. For example, by providing protocols in the landfill biofilter, landfill gas, and green buildings areas, Pacific Carbon Trust will be able to work with companies in those industries to bring their GHG projects to fruition, creating new revenue sources for municipalities and other entities; these sorts of projects and others are expected to come on line during the reporting period for this Service Plan.

photo courtesy www videonexus ca.jpg

OPPORTUNITIES AND RISKS

Pacific Carbon Trust is pursuing a variety of strategies to take advantage of new market opportunities and mitigate risks.

Opportunity	SIGNIFICANCE	PACIFIC CARBON TRUST'S PLAN OF ACTION
Public Sector Organization support and engagement	Greater engagement will allow for ongoing business improvements, increased awareness of Pacific Carbon Trust's role in the low-carbon economy, and clearer alignment with clients' needs.	Engage clients in meeting their carbon offset needs, and the larger business and environmental community to generate strategic support and partnerships. Increase understanding of the role of carbon offsets and Pacific Carbon Trust as a tool for tackling climate change.
California and Quebec carbon markets	The market allows up to 8% of a capped entity's reductions to come from carbon offsets, with over 435 businesses needing reductions in the United States.	Continue to monitor the development of the market to identify opportunities for Pacific Carbon Trust and benefits for the province of BC. Continue to build expertise with BC carbon offset firms, which are now exporting their expertise to new markets.
Global interest in the Pacific Carbon Trust model	Several countries have sought advice from Pacific Carbon Trust regarding setting up a similar organization.	Use opportunities as a means to open lines of communication and engagement with other jurisdictions and carbon programs with the goal of building partnerships, expertise, and knowledge.
Global increase in the use of carbon offsets	According to reports from the World Bank and Thompson Reuters, both the compliance markets and voluntary carbon offset markets are projected to grow in their demanded volume during the 2012 to 2016 period.	Develop a robust plan for market entrance strategies into compliance and voluntary markets where Pacific Carbon Trust identifies opportunities.
Made in BC clean technology	Economic activity across BC industries over time will allow for more GHG project opportunities. Development of clean technology and green jobs in the province strengthens the low-carbon economy.	Monitor opportunities to support Pacific Carbon Trust's mandate of growing the low-carbon economy.
New sector engagement	Development of offsets from new sectors in BC increases the scope of emission reductions across the provincial emissions inventory.	Continue to research opportunities to work with industries in BC and apply innovative approaches to GHG reductions.

RISK	SIGNIFICANCE	Pacific Carbon Trust plan of action
Lack of offset demand growth and market isolation	Increased demand for carbon offsets in BC has been slow, and Pacific Carbon Trust faces a risk around a lack of growth opportunities. Also without linking or collaborating with other markets, over time market participants may lose interest.	Encourage international voluntary and compliance interest in the BC carbon offset market. Explore opportunities to engage in other markets.
Sluggish U.S. economic rebound, potential slow-down of China's economy, and slow global economy	Pacific Carbon Trust's offset supply faces risk from a slowly recovering economy and possible economic downturn in the United States; projects could be delayed or cancelled.	Actively manage risk with offset project proponents. Diversify Pacific Carbon Trust's offset portfolio to protect against economic shocks. Contract in excess if its annual demand to mitigate risk of damages from potential shortages.
Labour market/ specialized professionals	Pacific Carbon Trust and the industry may face a shortfall of experienced professionals available for the emerging carbon offset markets.	Support knowledge sharing and industry training sessions. Share information across industry and education centres to build professional capacity in BC.
Public misinformation and confusion about offsets	There has been some general confusion and misinformation about the offsetting process in BC, potentially clouding public understanding of its importance and effectiveness.	Highlight community, economic and environmental benefits of projects. Continue to engage with clients and the public to ensure a strong message of credibility and transparency is communicated. Highlight the projects that have reduced emissions in the province.
Loss of market supply potential due to cap and trade	Pacific Carbon Trust may see a loss of opportunities to purchase from certain project types as they become eligible for sale into the Quebec market. The market has opened higher levels of competition for Canadian projects.	Engage with industry to ensure that Pacific Carbon Trust has strong relationships with companies interested in undertaking GHG projects. Monitor potential project availability as eligibility criteria progresses.
Implementation of the low carbon fuel standard	The low carbon fuel standard offers a higher price on emission reductions than the price Pacific Carbon Trust can offer. A subset of potential transportation-related projects will have incentive to register their emission reductions under the Low Carbon Fuel Standard rather than through offset sales to Pacific Carbon Trust.	Continue to work with the transportation industry and investigate approaches to reducing emissions from transportation sources. Work with the Ministry of Energy and Mines and the Climate Action Secretariat to ensure regulations are complementary and are understood by relevant stakeholders.

OPERATIONAL CAPACITY

Pacific Carbon Trust plans to meet the coming year's goals with a staff complement of up to 20 employees. Capacity needs will be monitored as requirements change over time. As the California market grows, there will be a high demand for experienced carbon finance professionals, which creates a risk for Pacific Carbon Trust of losing key staff.

Pacific Carbon Trust also monitors staff levels as a part of its overall enterprise risk management; to that end, a more comprehensive succession plan is being developed.

3 Goals, Strategies, Performance Measures and Targets

Pacific Carbon Trust's mandate is to deliver quality BC-based greenhouse gas offsets to help clients meet their carbon reduction goals and to support growth of the low-carbon economy in BC. This direction evolves from the BC Climate Action Plan's goal to reduce greenhouse gases by 33% from 2007 levels by 2020 and the larger provincial goal to "remain a climate action leader."

Goal 1: An organization that delivers a high quality, cost effective and diversified carbon offset portfolio.

Pacific Carbon Trust has an offset portfolio that spans regions and industries across the province, which studies have found contribute to economic and employment growth. Pacific Carbon Trust plans to build upon its current portfolio by implementing projects in new sectors using new technologies and project types. By purchasing from a diverse array of projects, Pacific Carbon Trust will ensure that its offset portfolio aligns with the diverse stakeholder groups that value it.

Pacific Carbon Trust has demonstrated that it has the resources and capability to meet BC government needs. Pacific Carbon Trust has developed its own risk-management system, has a streamlined procurement process, an independent offset registration system, and a cycle of continuous improvement. These processes ensure a carefully and purposefully managed offset portfolio.

Strategies:

1. Competitively negotiate offsets deals while ensuring offset quality and diversity.
2. Monitor and maintain an appropriate level of risk in the portfolio of offset projects.
3. Implement mechanisms that support the growth of BC-based clean technologies.
4. Manage a portfolio of offset projects that are sourced from across the province and its industries.

Performance Measures	Targets				
	2011/12 Actual	2012/13 Forecast	2013/14	2014/15	2015/16
1. % of public and private client demand met	100%	100%	100%	100%	100%
2. Average price paid for offsets	Less than $25	Less than $25	Less than $25	Less than $25	Less than $25

Goal 2: An organization that is highly valued by the public sector, the broader public, and industry.

Pacific Carbon Trust continues to build its expertise through hiring and training a high-performance team. All employees seek professional development opportunities and industry relationships that help them and Pacific Carbon Trust as a whole continue to lead in the carbon space. Additionally, Pacific Carbon Trust will continue industry outreach to identify offset development opportunities and support the growth of the carbon market. This will help support a healthy economy in BC while furthering the corporate strategy to help all clients meet their carbon reduction goals.

Progressive companies in the voluntary offsetting market continue to rise in number as climate change becomes a more pressing concern. In 2013/14, Pacific Carbon Trust will seek to build further relationships with such emerging carbon jurisdictions across the globe and, as the carbon markets continue to grow, to become a well-known and well-regarded standard in the carbon economy.

Pacific Carbon Trust has designed its portfolio objectives to consider the economic, environmental, and social significance of projects and the potential for those projects to foster industry-wide technology adoption. It plans to pursue those projects that not only create a high yield of offsets but also foster innovation, economic growth, environmental protection, or social enhancements, for the greater benefit of the Province.

Strategies:

1. Implement and execute a sales strategy to deliver offsets to a broad base of clients.
2. Promote accuracy and transparency in offsetting greenhouse gas emissions.
3. Work with offset market participants and stakeholders to build expertise and drive growth in the carbon market.
4. Maintain a balanced offset portfolio to stimulate a low-carbon economy.

Performance Measures	Targets				
	2011/12 Actual	2012/13 Forecast	2013/14	2014/15	2015/16
1. % of stakeholders with a positive opinion of PCT	78%	90%	90%	90%	90%

Goal 3: An effective, environmentally responsible organization known for its industry expertise.

With carbon markets in North America now operational, and the market in BC well-established, Pacific Carbon Trust has the opportunity to play a leading role in carbon transactions. To do so, Pacific Carbon Trust must ensure it effectively manages public sector resources and maintains robust industry expertise to engage in markets at home and abroad.

Pacific Carbon Trust will ensure that in the 2013/14 to 2015/16 period it continuously improves its operational efficiency and strives to maximize opportunities for carbon transactions. In doing so, Pacific Carbon Trust will strive to be transparent to its stakeholders and the greater public, and accountable to the Province for its work.

Moving into its fourth year of operations in 2012/13, Pacific Carbon Trust has established strong knowledge and experience in working with greenhouse gas reduction projects across the province and its industrial sectors. It has the knowledge and expertise necessary to ensure BC leverages the opportunities to reduce emissions in its industries, and throughout 2013/14 and beyond Pacific Carbon Trust will continue to explore such opportunities.

Strategies:

1. Continually find ways to improve operational efficiencies and service for clients and suppliers.
2. Continue to foster offset expertise by encouraging staff development and building industry relationships.
3. Build a team of high-performing professionals by developing shared values to guide decisions.
4. Be transparent and accountable in all business activities.

Performance Measures	Targets				
	2011/12 Actual	2012/13 Forecast	2013/14	2014/15	2015/16
1. Lower than average organizational carbon footprint	1.8	Less than 3.1	Less than 3.1	Less than 3.1	Less than 3.1
2. Number of partnership agreements	5	7	9	11	13

BENCHMARKS AND PERFORMANCE MANAGEMENT SYSTEMS

Pacific Carbon Trust regularly monitors, tracks, and reports on performance through a number of measures, as well as post-delivery analysis on projects, which informs future supply forecasting. In 2012/13 Pacific Carbon Trust underwent a performance evaluation by Deloitte, which provided recommendations for ways in which Pacific Carbon Trust can improve its operations. Throughout the 2012/13 and 2013/14 years, Pacific Carbon Trust will implement changes based on the recommendations from the performance review.

Pacific Carbon Trust maintains an enterprise-wide risk register, which monitors all loss exposures faced by the corporation. The relevant areas of the business are monitored to inform the risk register, which is updated on a quarterly basis. Additionally, factors such as stakeholder satisfaction are annually monitored and data collected for performance measurement.

In terms of benchmarking, organizations similar to Pacific Carbon Trust are few in number. Research has revealed other offset procurement organizations are small and do not publicly report on their performance. Where performance information is available, Pacific Carbon Trust will compare its operational performance to that of other offset providers. Pacific Carbon Trust performance is available on its website, and independent analysts show Pacific Carbon Trust as the third-largest offset standard by value in North America.[4]

photo credit Ron Thiele

4 Thomson Reuters, Point Carbon

GOVERNMENT'S LETTER OF EXPECTATIONS

Government direction for the Pacific Carbon Trust is outlined in the Government's Letter of Expectations (GLE). This is an agreement between the Minister of Finance on behalf of the government and the Pacific Carbon Trust board of directors that establishes priorities and expectations for Pacific Carbon Trust. The chart below highlights the expectations and Pacific Carbon Trust's alignment.

DIRECTION	CURRENT STATUS
Acquire a risk-managed, high quality and diversified carbon offset portfolio that is independently reviewed and meets public sector carbon neutrality commitments.	Ongoing: Pacific Carbon Trust has successfully met two years of government carbon neutrality requirements, and has established a robust portfolio to supply future demand. In 2012/13, PCT sought an independent performance review and studies on the performance of the organization and carbon neutral program. The review found both strengths and areas for improvement, and the study detailed economic benefits that have arisen from the program. PCT will continue to seek out innovative projects that contribute to a high-quality portfolio.
Secure new customers to purchase carbon products and drive revenue into the province.	Ongoing: PCT has maintained a private client base over the past fiscal years. PCT is currently exploring strategies to help grow the overall market in BC, and to find offset customers in other emerging carbon markets. A key focus will be to ensure that these transactions add value to the province of BC.
Increase the awareness within the public sector and broader public of the Corporation's plans and accomplishments and the role of carbon markets in climate change policy.	Ongoing: For 2013-14, Pacific Carbon Trust has developed an extensive outreach schedule that will include meetings, presentations, workshops and webinars. As well, Pacific Carbon Trust and the Climate Action Secretariat have formed a working group to develop communications materials for its public sector clients. The Pacific Carbon Trust website will continue to evolve to address the needs of its clients and the broader public, including information on project awards and business process improvements.
Engage the carbon market industry to support the growth of the low-carbon economy in BC and position the province to benefit from emerging carbon markets.	Ongoing: PCT has been very successful in bringing a diverse group of stakeholders together to form a BC carbon market: auditing firms, industries, government, and First Nations communities. PCT will endeavour to maintain these connections across stakeholder groups to ensure that all benefit from the developing low-carbon economy.

4 Summary Financial Outlook

FINANCIAL OUTLOOK

For the year ended March 31	Actual 2011/12 ($000s)	Forecast 2012/13 ($000s)	Budget 2013/14 ($000s)	Budget 2014/15 ($000s)	Budget 2015/16 ($000s)
Revenues					
Offset revenue	12,990	19,500	20,000	20,000	20,000
Interest revenue	155	300	400	430	460
Total Revenues	13,145	19,800	20,400	20,430	20,460
Expenses					
Strategic Acquisitions					
Salaries and Benefits	511	500	500	500	500
Operating and Administration	6,380	9,336	10,680	12,405	13,847
Professional Services	210	521	521	521	521
Rent	66	84	78	65	65
Amortization	22	23	33	36	38
	7,189	10,464	11,812	13,527	14,971
Business Development					
Salaries and Benefits	748	943	943	943	943
Operating and Administration	184	148	143	143	143
Professional Services	308	632	632	632	632
Rent	96	84	77	65	65
Amortization	33	23	33	36	38
	1,368	1,830	1,828	1,819	1,821
Finance and Operations					
Salaries and Benefits	565	517	517	517	517
Operating and Administration	139	148	143	143	143
Professional Services	233	547	547	547	547
Rent	73	84	77	65	65
Amortization	25	23	33	36	38
	1,034	1,319	1,317	1,308	1,310
Total Operating Expenses	9,591	13,613	14,957	16,654	18,102
Surplus for the year	**3,554**	**6,187**	**5,443**	**3,776**	**2,358**
Accumulated Surplus, beginning of year	16,814	19,350	25,537	30,980	34,756
Accumulated Surplus, end of year	**20,368**	**25,537**	**30,980**	**34,756**	**37,114**

ASSUMPTIONS

Revenue

- Offset revenues are based on a transaction price of $25/tonne of CO_2e and on the estimated annual delivery of offsets. The actual for 2011/12 and the forecast for 2012/13 include revenue from offsets delivered to government in June 2012 to satisfy government's carbon neutral commitments for 2011.
- Total offset demand is stable at 800,000 tonnes per year, and revenue is recognized from public sector organizations once annually starting in the 2012/13 fiscal year.
- Interest income is based on timing of forecasted cash flows and assumes continued low market returns.

Expenses

- Expenditure management items regarding fiscal measures required by the shareholder have been incorporated in this financial outlook.
- Offset costs are assumed to escalate with inflation (2.5% estimated) and are based on forecasted levels of demand.
- Salaries and benefits may change to account for possible increases in FTEs should demand and workload increase.
- Professional services include legal costs, management consulting and other contracted services. Pacific Carbon Trust uses external resources for specific, short-term expertise as required.
- Other overhead costs (rent, systems costs, etc.) are based on existing agreements and assumptions on contract price changes beyond those dates.
- Amortization forecasts are based on estimated useful lives of assets and approved plans for future capital spending.

Equity and Debt

- Pacific Carbon Trust is expected to have $25.5 million in equity based on the 2012/13 projections, an accumulation of operating grants and net income. Pacific Carbon Trust has no outstanding long-term debt.
- Based on these assumptions, Pacific Carbon Trust will continue to generate surplus funds to 2014/15. The board of directors is working with the shareholder to identify potential uses for these funds.

Capital Expenditures

- Capital expenditures represent the cost of implementing corporate information technology applications and infrastructure.

FUTURE OUTLOOK

2013/14 will represent continued maturity as Pacific Carbon Trust hones its business model and investigates other opportunities in the carbon markets. We will continue to supply the BC government with offsets to meet its carbon neutrality commitment. At the same time, Pacific Carbon Trust will extend its efforts into private wholesale carbon offset trading and implement opportunities to expand the low-carbon economy. These activities are reflected in Pacific Carbon Trust's financial outlook for steady asset growth.

Pacific Carbon Trust is contractually positioned to meet the demands of all public sector organizations for the 2012 calendar year, and expects to meet all demands for years thereafter. The majority of Pacific Carbon Trust's expenses are related to the purchasing of offsets to ensure a full portfolio is maintained for the BC government. Projected expenses are dependent on the actual volume of offsets delivered.

If cap-and-trade is adopted by British Columbia, financial forecasts would greatly change due to a considerable increase in demand for offsets and an introduction of floating market prices, which may affect the current price scheme. If this scenario were to exist, the scale of Pacific Carbon Trust's operations could be adjusted to capitalize on market opportunities; both revenues and expenses could increase substantially. Pacific Carbon Trust is currently capable of meeting a demand requirement of 800,000 carbon offset credits per year, and if that volume were to increase, the scale of Pacific Carbon Trust's operations may need to incrementally increase as well.

While the budget presented represents a well-considered three-year forecast, there are some uncertainties around the size and value of the carbon market in North America. Pacific Carbon Trust will continue to monitor these issues and ensure that British Columbia is well positioned to take advantage of any carbon market opportunities that arise during the next few years.

CAPITAL PLAN AND MAJOR CAPITAL PROJECT DISCLOSURE

Pacific Carbon Trust does not anticipate any major capital investments during the 2012/13 to 2015/16 fiscal years. Typically, Pacific Carbon Trust spends less than $100,000 per year on capital investments in the form of minor tenant improvements and information technology upgrades.

2012/13	2013/14	2014/15	2015/16
$8,000	$163,000	$75,000	$75,000

Appendix 1: Performance Measures

MEASURE	DEFINITION	RATIONALE	BENCHMARKING
% of public and private client demand met	Monitors the corporation's ability to meet the demands of its clients, both regulated and voluntary. Offset volumes are monitored in the delivery pipeline, and delivered offsets are tracked on the Markit Environmental Registry.	This measure was chosen because it directs corporate strategies toward ensuring Pacific Carbon Trust delivers enough offsets to meet client requirements in a challenging offset project environment.	Number of offset sales vs. other offset providers, where data is available.
Average price paid for offsets	Monitors the average price paid by Pacific Carbon Trust for offsets. This information is available from Pacific Carbon Trust operations and is collected from its purchase expense accounting information.	This measure was chosen because offset prices constitute the majority of expenses. Providing cost-effective offsets is important for managing public sector funds and helps to keep Pacific Carbon Trust financially viable.	Pacific Carbon Trust monitors industry and market information for prices of various offsets in North America to compare the market value of Pacific Carbon Units (offsets) with other standards.
% of stakeholders with a positive opinion of PCT	Monitors satisfaction levels amongst Pacific Carbon Trust's clients and industry partners. This information is collected through an annual survey of customer, suppliers, and partners.	Customer satisfaction measures the value of Pacific Carbon Trust to clients, suppliers, and partners in helping them meet their carbon reduction goals. Throughout the reporting period, Pacific Carbon Trust will continue to develop strong customer relationships.	Customer satisfaction levels in similar institutions (for example, banks).
Lower than average organizational carbon footprint	Monitors the organization's level of greenhouse gas emissions per full time employee. Information is collected on emissions using SMARTTool and compares with core government results reported through requirements under the public sector Carbon Neutral Program.	This measure is important in demonstrating Pacific Carbon Trusts leadership in a low carbon economy by reducing its own carbon footprint.	The carbon footprint of core government and other similar-sized Crown corporations.
# of partnership agreements	Monitors the number of partnerships with other related organizations. Data can be measured through the number of formal agreements in place.	This measure is important in demonstrating Pacific Carbon Trust's engagement with like-minded organizations with the long-term goal of growing the low-carbon economy in BC. Pacific Carbon Trust recognizes that working with other organizations leverages additional resources and cooperation to help the province transition to a low-carbon economy.	Number of partnerships established by other Crown corporations, both provincially and federally.

Pacific Carbon Trust

CONTACT INFORMATION

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